FOREIGN AGRICULTURE

March 20, 1972

Winterkill in the USSR And Eastern Europe

The Dutch Hog Industry

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

Vol. X • No. 12 • March 20, 1972

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This week's cover:

Dutch Landrace hogs anticipate a meal by standing against the railing of their individual stalls at a fattening farm at Lochem. Contract production of hogs—so far an unimportant trend in the United States—has become a vital force in the Dutch hog industry in recent years. For an indepth look at this signal trend, see the story beginning page 4.

Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, $10.00 domestic, $13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Winterkill in the USSR And Eastern Europe May Cause Grain Imports To Continue in 1972-73

By JAMES W. WILLIS
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The ambitious goals of the USSR and the East European countries to upgrade diets, and to provide more meat in particular, have recently been endangered by a recurring problem—winterkill of fall-sown grains. Although actual damage is as yet unknown, and although much of it could probably be offset by spring-sown crops, concern is indicated by the fact that Soviet agricultural experts and members of the Communist Party's Central Committee recently met to discuss grain production prospects for 1972 and, presumably, the effect that crop damage might have on the further development of the livestock sector.

Possibly in view of uncertain production prospects, as well as the fact that the USSR normally supplies over 4 million tons of the total annual wheat import requirements in deficit East European countries (mainly Czechoslovakia, Poland, and East Germany), the Soviet Union has again contracted with Canada for the purchase of 3.5 million tons of wheat, to be shipped after June 1972.

This new contract between the two countries contains a feature not in last year's agreement—Russia now has an option to buy an additional 1.5 million tons, also to be shipped before the end of 1973. Further, this year's contract was made 4 months earlier than last year's. Last month, Australia too sold wheat to the USSR-East European region—400,000 tons, in addition to an earlier contract for 500,000 tons, which together amount to the largest sales to the region by Australia since 1963-64.

Thus it appears that the USSR-East European region could be a large net grain importer in 1972-73 for the second consecutive year. Net imports in 1971-72 are expected to be almost the equal of the record 12.4 million tons in 1965-66, owing in considerable part to purchases of over 5 million tons of feedgrains, about 3 million of which will come from the United States.

Uncertain crop conditions exist this year not only in the USSR but also in the East European countries themselves. Virtually all countries in the area have been affected by similar freeze and snow-cover problems. Again, little basis exists for estimating the ultimate effect on next season's total grain

output, and—as in the USSR—much will depend on the extent of heavier spring grain sowings and on subsequent growing conditions.

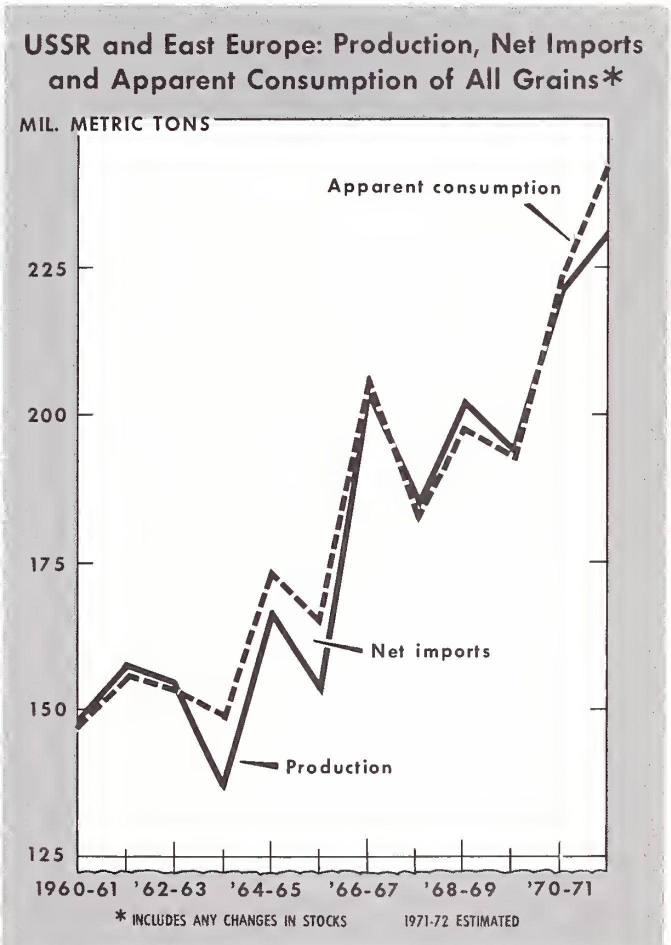
Normally, the East European countries have an overall net grain deficit of about 8 million tons annually. In 1970-71, as in other years, they relied on the Soviet Union for over 70 percent of their grain imports. But a grain crop reduction also in the Soviet Union this season could mean that these countries will rely more heavily on Western sources for grains in 1972-73.

Weather damage to crops in the Soviet Union will be less severe than in 1969, the most recent year of abnormally heavy winterkill. But over most of the major winter wheat areas, snow cover was inadequate; and in the last 10 days of January, with temperatures that averaged far below normal in some areas, the soil in those areas froze to much deeper levels than usual.

The grain crops of the USSR remain vulnerable to more cold weather, and damage is expected to be heavier than it was in either 1970 or 1971. An estimated high of 10 million hectares (24.7 million acres) of winter grains may be damaged this season, as compared with 14 million hectares in 1969, 7 million in 1970, and 5 million in 1971.

Most Soviet winter grain losses in 1972 could probably be salvaged through spring fertilization of winter grains and reseeding of severely damaged fields in an intensified spring planting campaign, since about 60 percent of all Soviet grain production now comes from spring grains. However, the resulting reduction in winter grain area and reseeding to spring grains is likely to cause some decrease in the 1972 grain harvest. Spring wheat, which yields less, in normal years accounts for 50 to 70 percent of all wheat sown. An estimated 1.5 million to 2.0 million additional tons of seed will be required for resowing the damaged areas during this spring's planting campaign.

Often, the areas damaged by winterkill—predominantly wheat—are mostly replanted to grains other than wheat. In 1969, after heavy wheat losses, production of corn and barley increased by 7 percent. However, current costs, yields, and prices make it less profitable for the Soviets to grow feedgrains as opposed to wheat, although they are reported to have ample barley seed available. Some farms may decide to switch part of the damaged winter grain area into sunflowers



or sugarbeets, especially since the support price of sugar beets has been increased. If this switch occurs, or if inadequate moisture due to lack of snow or rain reduces spring grain production, continued heavy imports of grain will almost certainly be needed to meet rapidly expanding consumption requirements. Grain consumption in 1970-71 in the USSR and Eastern Europe was over 45 percent above the 1960-61/1962-63 average (see page 3).

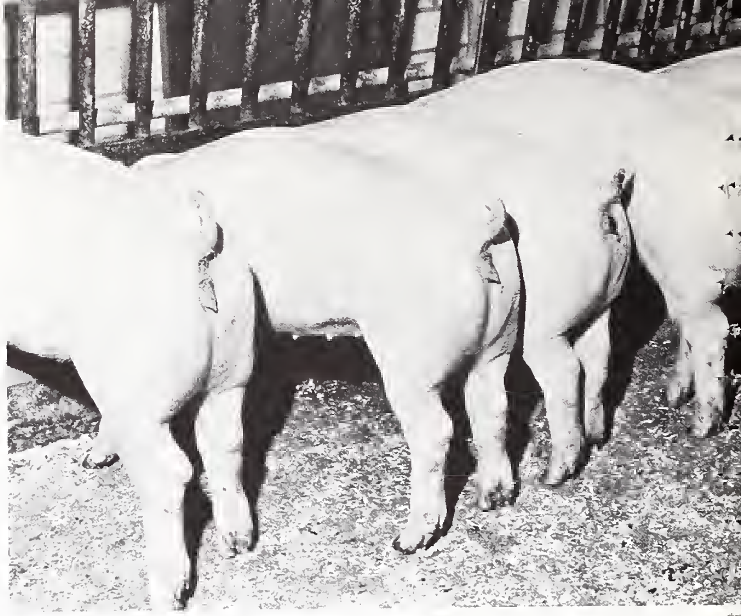
Even with record 1971 grain harvests in Poland and Czechoslovakia, imports were needed in 1971-72 to meet higher consumption levels and offset sharp setbacks in the output of secondary feed crops—potatoes and hay and other forage crops. These secondary crops, in the absence of widespread irrigation, are highly vulnerable to the vagaries of weather, especially droughts.

Winter grains in Poland this year, as in the USSR, are in more danger than usual from winterkill, although no damage has yet occurred.

Poland imported 1.25 million tons of wheat from the USSR during the first half of 1971-72; and Czechoslovakia purchased a record 350,000 tons of corn from the United States in 1971, the first such purchase since 1967-68. Bulgaria, Hungary, Yugoslavia, and Romania, normal sources of Czech corn imports, kept more of their corn to expand livestock production.

Romania is reluctant to import feed under any circumstances. But, with winterkill damaging much of its wheat crop and seriously affecting the more vulnerable barley in its southern regions, Romania may find that its 1973 production goals—which call for increases of 100 percent in canned meat output, 36 percent in other meat products, and 104 percent in milk and dairy products—will be difficult to attain without more grain imports or a reduction in exports. Lower grain output may cause it to reduce or even halt grain exports to Poland and other East European countries, even though these commodities have been dependable earners of foreign exchange.

Hungary, on the other hand, is less reluctant to import high-protein feeds and feedgrains if domestic output is found to be insufficient. Wheat winterkill will have an immediate effect on feedgrain requirements in Hungary, since it normally uses 40 percent of its wheat crop for feed.



Contract Production Fattens Up Dutch Slaughter Hog Industry

By
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The Dutch hog industry is primarily concentrated on mixed farms in the poor, sandy-soiled areas of Brabant, Northern Limburg, Overijssel, and Gelderland. Fifty years ago, farms in these areas were subsistence holdings, since the soil was too poor to effectively compete against neighboring grasslands. Rye was the major grain crop, since the soil could not sustain wheat.

Following World War I, these areas developed a flourishing hog raising industry, which supplied the U.K. bacon market. Hog production became the major source of income for most farmers.

Over the last decade and a half, the traditional markets for these hog producing areas have been drastically altered. The primary factor contributing to this alteration was the creation of the European Community, which provided the Dutch with better opportunities to market both pork and live hogs in other EC countries.

Secondary—but still important—fac-

tors influencing the market were the growth of the U.K. hog industry and stiff Danish competition on the U.K. bacon market. As a result, the U.K. market—traditionally the main market for Dutch bacon exports—became both less accessible and less attractive.

While bacon exports to the United Kingdom dropped to insignificant levels, pork exports to other EC countries rose; France became the main customer of the Dutch hog industry. (The Dutch bacon quota in the U.K. market has been steadily reduced over the past several years. In the current marketing year, Apr. 1, 1971-Mar. 31, 1972, the quota stands at 7,520 metric tons.)

A further significant change in both the production and marketing of hogs accompanied this shift in export destinations and the decline of bacon sales—the contract system for slaughter hogs, which began in the late 1950's and early 1960's. Under this type of production, farmers and their suppliers or buyers sign contracts which usually specify the source of supply of feed, the financing of the farmers' operation, and the terms of sale of the hogs.

Contract production initially met considerable opposition. Many small farmers opposed any ties with the feed compounder or the processing industry: they warned that contracting would make farmers dependent on these industries. Other farmers viewed contracting as a passing phenomenon which would fade away once the dislocations caused by production and market alinements were overcome.

Contracting, however, gained increasingly larger shares of the total Dutch hog production. By 1970, when the Dutch slaughter hog population totaled 8.8 million head, 45 to 50 percent were raised under one type or another of formal contract.

This percentage assumes even a greater importance, if—as many people in the industry maintain—another 35 to 40 percent of the remaining hogs are not sold on the free market, but rather through informal contracts, or "handshake agreements." This would imply that only 10 to 15 percent of the total hog production are still sold on the free market.

These figures show that a basic reorganization is now underway in the Dutch slaughter industry—namely, vertical integration.

Why is contract production displacing the traditional sales and production pattern? An answer to this question must take into consideration several factors. Perhaps the two most important are the meat processing and feed compounding industries.

The meat processors need a steady, constant supply of slaughter hogs. Slaughter/processing plants employ large numbers of well-paid workers, which places a premium on full capacity production. High wages are necessary to prevent personnel turnover, for when a skilled meat cutter leaves, he might be replaced by an unskilled meat cutter whose poor performance on the production line could cost the plant money.

Processors also need pigs from specific breeders, in order to acquire the higher quality of slaughter hogs which result from genetically improved breeding lines. Improved breeds produced higher quality carcasses with more uniformity—and therefore lower butchering costs.

Feed compounders also had strong financial reasons for favoring contract production. Contracting assured them of a market for their feed mixtures and provided them with a fixed market which they could use in negotiating loans for their own expansion.

Contract production also helped the feed compounders by encouraging larger farms with more hogs: selling larger volumes of feed to larger producing units helped the feed compounder trim milling and transportation costs.

Given these incentives for favoring contract production, the feed compounders were willing to supply the large amounts of money needed for large-scale hog production contracts. In addition, they helped the farmer by supplying extra services, such as credit and advisory aid.

Such services required compounders to add experienced personnel to their staffs; one of the major private Dutch feed compounder/integrators added a new financial department to administer contract services.

The processing and feed industries also helped to encourage contract production by investing large sums in planned research and development work. Industry-sponsored laboratories and test farms experimented with feed ingredients, breeding crosses, and feed conversions. Great attention was given to carcass composition and to processing procedures which would result in maximum financial returns.

Besides the meat processing and feed compounding industries, several other factors encouraged the rapid growth of contract production:

• The surplus of farm labor in the sandy-soiled regions, which allowed the

development of this highly labor-intensive industry.

• The reasonably consistent profit that had been realized from slaughter hog production.

• The formation of the European Community, which gave the Dutch better access to the Italian, French, and south German markets.

All of these factors help to explain the rapid development of contract production in the hog industry—at least for the meat processing and feed compounding industries. The farmer, however, was influenced by a different set of factors which encouraged him to accept contract production.

In attempting to expand his production unit, the farmer needed capital, which frequently could not be acquired from the traditional banking arrangements. Expansion-minded farmers were quick to see the ready source of credit available to them in the contract financing of mixed feeds, piglets, and farm buildings; they also appreciated the importance of the managerial services made available to them by the feed and processing industries.

Contract production also had an additional advantage for the farmer, since it lessened the financial risks of hog production. Some contracts relieved the farmer of certain technical risks, such as growth rates of the hogs and their feed usage.

The farmer's enlargement of his swine herd resulted in his greater dependency on his production unit for a stable income, thus assuring that he would devote more care and attention to his animals than he would if they constituted only part of his income. This more intensive effort on the part of the farmer helped lessen the risks taken by the contractor—whether feed compounder or meat processor.

Contract production thus provided both the farmer and the feed and processing industries with reduced financial risks and a greater return on both labor and investments.

CLASSIFICATION OF SLAUGHTER HOG FARMS BY SIZE

Farm size (no. of hogs)	1966 Total farms	1966 Total production	1970 Total farms	1970 Total production
	Percent	*Percent*	*Percent*	*Percent*
0 to 50	82	39	67	23
50 to 100	13	29	18	25
100 to 150	3	14	8	18
150 to 200	2	18	3	11
200 or more	—	—	4	23

Netherlands Central Bureau of Statistics.

The emphasis which contract production places on efficiency has had an important effect on the size and number of the production unit. The number of farm production units has declined as the more efficient farmers increased the size of their production units. These trends are illustrated in the accompanying tables.

The impact of contract production has not been uniform throughout the Dutch "hog belt," which apparently reflects the marketing patterns which exist in different areas. The four hog belt Provinces—North Brabant, Limburg, Overijssel, and Gelderland—produce over 80 percent of the Netherland's slaughter hogs. The Provinces of Utrecht and South Holland produce another 12 percent.

The sales patterns of live slaughter hogs in these six Provinces show some clear differences. In North Brabant and Limburg—the Provinces where most of the slaughter hogs are produced—about 75 percent of production is sold directly to meat processing plants for sausages, canned meat products, and other processed items.

In Overijssel and Gelderland, processing plants also play an important part, receiving 50 percent of the total production; however, exporters and wholesalers are also important, taking 25 to 30 percent of the hogs sold.

In the Provinces of Utrecht and South Holland, a much more evenly distributed sales pattern exists among the processing plants, feed compounders, export trade, and domestic trade—each of which takes about 10 to 15 percent of total production.

The remaining 25 percent are sold in the live hog trade, which reflects the importance of public slaughter houses in these areas (as opposed to the private or cooperative slaughter houses in the four hog belt Provinces). Live hogs are more important in Utrecht and South Holland because these two Provinces contain the *Randstad*—the most densely populated part of the Netherlands—which creates a relatively high demand for fresh pork.

What effect have these different marketing patterns had on the impact of contract production throughout these six hog-producing Provinces? Certainly the impact has varied from area to area: in North Brabant and Limburg, contract production accounts for about 50 percent of production; in Overijssel and Gelderland, 40 percent; and in Utrecht and South Holland, it accounted for 30 percent.

One explanation for this variation in contract production considers the relative importance of processing plants in each area. The concentration of large processing plants in North Brabant and Limburg, with their need for a steady volume of hogs, makes the use of contracts desirable. Given the steady demand for hogs in these areas, price fluctuations are smaller and less important than elsewhere.

In Overijssel and Gelderland and in Utrecht and South Holland, the sale of chilled meat is much more important. The price fluctuation that can occur on a fresh meat market makes contract production much riskier, and thus less attractive.

Contract production is not a sin-

SLAUGHTER HOG AND FEED PRODUCTION

Year	No. of slaughter hogs produced [1]	Average no. of slaughter hogs produced per farm	Total pig feed production	Average pig feed production per compounder
			Metric tons	*Metric tons*
1950	2,415,138	3.9	450,000	240
1955	3,907,237	21.8	1,200,000	640
1960	5,246,060	36.1	1,745,000	930
1965	6,305,952	57.9	2,200,000	1,250
1970	8,821,930	104.6	3,307,000	3,720

[1] Includes animals exported live.

Source: Netherlands Product Board for Livestock and Meat.

gle, standardized business arrangement. There are a large variety of contract forms and integration regulations, and almost every enterprise in the feed supply and meat processing industries has its own set of conditions and services. Yet, within this variety there are four basic types of contractual agreements which are found throughout the hog industry:

Wage fattening contracts. The farmer makes available his labor and facilities and receives a fixed compensation per animal. The hog usually remains the property of the principal contracting partner, who also accepts much of the price and technical risks. Thirty to 35 percent of all hogs raised under contract are on this basis.

Price-guarantee contracts. The farmer is promised a minimum price guarantee per kilogram of cold slaughter weight. On delivery, he receives the weekly price quotation for his hogs. If this price is below the guaranteed minimum price, he receives a payment adjustment to make up the difference. Twenty to 25 percent of all hogs raised under contract are on this basis.

Financing contracts. The production costs are partly or fully financed by the principal contracting partner. Only 5 to 10 percent of all hogs raised under contract production are on this basis.

Delivery contracts. The farmer obligates himself to deliver a certain number of fattened hogs and the processor obligates himself to buy them. On the day of delivery, the farmer receives the official price quotation for that day. Forty to 45 percent of the hogs raised under contract are on this basis—perhaps the most important form of contract.

The growth of contract production in the last decade has been paralleled by the growth of hog farming, which is now the second largest moneymaker for Dutch agriculture (after cattle farming, dairy, and meat). The supply and distribution table shows the growth of hog production in the last 10 years, as well as the impressive gains in Dutch exports of live hogs, fresh meat, and processed and canned meats.

Hog farming should continue to grow in the future; however one problem—waste disposal—increasingly threatens to stunt the rate of growth. A market-weight hog produces about 8 pounds of waste each day. This volume of waste makes manure management of prime importance—especially in a small, densely populated country like the Netherlands.

SUPPLY AND DISTRIBUTION OF PORK

Item	1960	1965	1970
	Metric tons [1]	*Metric tons* [1]	*Metric tons* [1]
Domestic slaughterings	434,975	489,075	672,375
Animals exported live	13,700	16,075	32,575
Production from imported animals	—	—	25
Imports of meat, fatbacks, canned meat	3,375	10,625	8,525
Total supply	452,050	515,775	713,500
Animals exported live	13,700	16,075	32,575
Meat exports including fatbacks	55,300	104,350	212,875
Exports of processed meat and canned meat	63,450	82,550	123,175
Total exports	167,625	202,975	368,625
Available for consumption	271,875	312,800	344,875
Domestic per capita consumption (kilograms)	23.7	25.5	26.5

[1] Carcass weight.
Netherlands Product Board for Livestock and Meat.

P.L. 480 Sales Exceed $93 Million in Fourth Quarter of 1971

Sales agreements for U.S. agricultural commodities under Title I of Public Law 480 totaled more than $93 million in the fourth quarter of 1971. Thirteen agreements were negotiated during that period: seven were new and six were amendments to existing agreements.

The largest was a $29.2 million agreement with Korea, which provided about 200,000 metric tons of rice, brown basis. Payment will be made under a convertible local currency credit arrangement. Supply period is calendar years 1971 and 1972.

Other P.L. 480 Title I agreements signed during the period include: Zaire (formerly Congo, Kinshasa): $2.13 million for the purchase of 23,000 metric tons of wheat flour during fiscal 1972.

Iceland: $802,000 for 4,000 metric tons of wheat flour and 128 metric tons of tobacco during fiscal 1972.

Jamaica: $784,000 for 14,000 metric tons of corn for delivery in fiscal 1972 and 1973.

Vietnam: $3.6 million added to an existing agreement for the purchase of an additional 280,000 cases of sweetened condensed milk in fiscal 1972.

Cambodia: $320,200 added to an existing agreement for the purchase of an additional 3,500 metric tons of wheat flour during calendar 1971.

Indonesia: $10 million added to an existing agreement for the purchase of an additional 49,672 bales of cotton (as well as funds to cover higher cotton prices) for delivery in calendar 1971.

Ghana: $9.957 million for 50,000 metric tons of wheat or wheat equivalent in flour, 36,000 bales of upland cotton, and 5 million linear yards of cotton textiles (grey cloth), all for delivery in fiscal 1972.

Tunisia: $12.354 million for 40,000 metric tons of cottonseed and/or soybean oil during fiscal 1972.

Philippines: $7.1 million added to an existing agreement to provide 145,000 metric tons of corn for delivery during calendar 1971.

Sierra Leone: $498,000 for 4,000 metric tons of wheat or wheat equivalent in flour and 625 metric tons of soybean and/or cottonseed oil, all for delivery in fiscal 1972.

Ceylon: $15.428 million for 179,300 metric tons of flour or flour equivalent in wheat during calendar 1972.

Ecuador: $1 million for 462 metric tons of unmanufactured tobacco and/or tobacco products for delivery through January 1972.

Canadian Bill Sets Up New Marketing Agencies

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Canada's national farm marketing agency legislation became law January 12, 1972, after over 22 months of debate in Parliament. Many times during the period it seemed that Bill C-176, now officially called the Farm Marketing Agencies Act, had little hope for passage. However, under pressure of pending adjournment for Christmas holidays and with the help of some compromise amendments, the bill is now law. Of special interest to U.S. exporters will be the trade effects of marketing agencies which will emerge in the weeks and months ahead.

The act is designed to permit nationally coordinated marketing agencies to control the production, marketing, price, and promotion of certain farm commodities where the farmers themselves desire such arrangements. The only commodities mentioned in the section of the act authorizing national quotas are "eggs and poultry and any part of such product." These were included because of the recent history of Provincial marketing board squabbles over inter-Provincial shipments.

Grains which come under the Canadian Wheat Board and dairy products which come under the Canadian Dairy Commission are specifically excluded by the language of the act. Other commodities can only be brought into a national marketing agency when the "majority of the producers" are in favor. The act states that a plebiscite may be held to determine the will of the majority of the producers. However, the definition of who is a producer and the conduct of the vote will be up to the Province.

Much of the debate on Bill C-176 in Parliament centered around concerns over "supply management" aspects of the legislation. Spokesmen for cattlemen, for instance, held that a free market could do a much better job of supply management. Others, speaking for commodities chronically faced with low prices and depressed markets—egg and broiler products in particular—supported the national marketing agency legislation.

Some opponents argued that a national marketing agency would increase income for a given commodity only temporarily and that supply restrictive quotas would encourage producers to turn to nonquota products which would then create distortions in the production and marketing of these commodities.

Some indicated that resultant higher prices would also make regulated commodities less competitive in Canada's export markets. Still others—pointing to the act's lack of authority over imports—asked how marketing plans could be made to work unless imports were controlled.

Minister of Agriculture H. A. Olson after passage of Bill C-176, said: "This could be the single most important piece of new agriculture legislation in many years. I say, could be, because this legislation is enabling legislation. It merely provides the necessary legal structure to allow producers to help themselves if they wish to make use of it."

During the long debate on the bill in Parliament, Minister Olson frequently emphasized the "coordinating" role of the national marketing agency, pointing out that some Provincial marketing boards had attained a degree of success in some commodities but they were ineffectual in many other cases because of the lack of coordination between Provinces.

This emphasis on coordination is also evident in Part I of the act which provides for a National Farm Products Council.

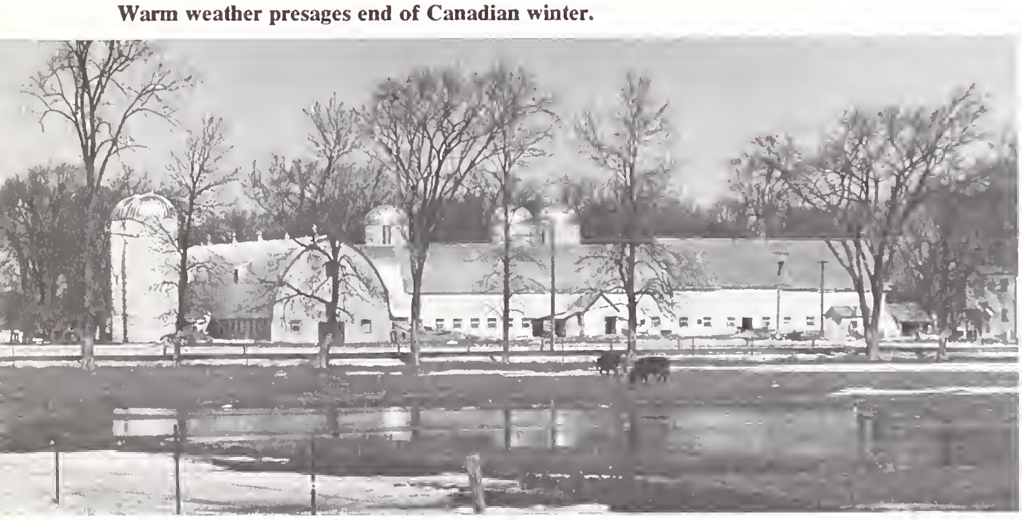
The duties of the Council include advising the Minister of Agriculture regarding the establishment and operation of national marketing agencies, consulting with the Governments of Provinces, working with the marketing agencies on market promotion, and reviewing the operations of the agencies.

The act provides that the Council shall not recommend the establishment of a market agency unless it is satisfied that a majority of producers of the product in Canada (or in a region of Canada) are in favor. Public hearings are also required before marketing agencies can be established. In establishing a marketing agency, the Council makes its recommendations to the Minister of Agriculture, he in turn to the Governor in Council (the Cabinet) and if the Cabinet approves, it then issues a proclamation establishing the agency.

Part II of the act deals with the farm products marketing agencies themselves. The members are appointed by the Governor in Council (Cabinet). The agency can cover any farm product

(Continued on page 16)

Warm weather presages end of Canadian winter.



Brazil Still Faces Beef Shortage in Spite Of Government Action

By HAROLD RABINOWITZ
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Despite a cattle herd forecast in 1971 at 97.1 million head (the world's third largest after those of the United States and the USSR), Brazil has for many years experienced seasonal beef shortages which, abetted by the country's chronic inflation, have sent meat prices soaring to record levels.

In its continuing effort to make more beef available at lower prices, the Brazilian Government has, at various times, established ceiling prices for some cattle categories, limited monthly slaughter levels, tied exports to domestic supplies, imported beef from Argentina, eliminated import tariffs on both Latin American Free Trade Association (LAFTA) and non-LAFTA meat, and threatened to fine or close Brazilian slaughterhouses for refusing to comply with Government regulations.

These measures have had some effect on beef supplies and on rising costs, but have not made enough beef available at a price which allows everyone to have meat on a regular basis. As a result, per capita consumption of beef is trending downward.

Northeastern Brazil is always short of beef, while central Brazil suffers from shortages during the dry season known as the *entresafra* (between harvests), when producers refrain from selling cattle because of their poor condition. The State of Rio Grande do Sul generally has sufficient supplies of cattle and could supply central Brazil with beef during its period of shortage.

However, the southern State's beef surpluses are mostly for export and would be available only as frozen meat if they were to be utilized during the period of shortage in central Brazil. Consumers in central Brazil have a preference for freshly killed beef and are not accustomed to the fatter beef from the south which is derived from European breeds.

Brazilian beef prices have moved steadily upward during the past 12 months, partly in response to the uptrend in world prices, and partly because of the country's beef shortage and inflation. For example, producer prices in São Paulo in August 1971 were substantially higher than those of August 1970—feeder calves were 53 percent more, and calves less than 1 year old were up 75 percent; fat steers and fat cows were higher by 29 and 31 percent. The rate of inflation during this period was about 20 percent.

Some Brazilians say the country's meat shortage and high prices indicate that the Ministry of Agriculture's estimate of the size of the country's cattle herd is too optimistic. They claim that the 97.1-million-head forecast—some 5 million more than the human population—is perhaps some 30 million or 40 million head too high.

Those accepting the Ministry's estimate maintain that Brazil's comparatively low slaughter rate and meat yield per carcass explain the apparent inconsistency between the country's large herd and the continuing shortage of beef.

Government livestock specialists point out that although cattle numbers in the United States are only about 1.2 times Brazil's, total U.S. slaughter is nearly five times as great and meat production is six times as great as those of the South American country.

One 10-country study shows that the amount of meat realized per head of cattle slaughtered in Brazil is less than the per-head yield in the other 9 countries. Argentina, for example, with a herd that numbered some 49.8 million head in 1971—about half the size of Brazil's—produced 5.7 billion pounds of beef and veal (carcass weight basis) in 1970, compared with Brazil's output of 3.6 billion pounds.

In order to guarantee beef supplies in major Brazilian cities at reasonable prices, SUNAB (National Superintendency for Supplies) formerly operated a large meat packing plant in São Paulo, and contracted for slaughter in a number of plants throughout central and south Brazil.

In February 1970, however, SUNAB withdrew from direct slaughter operations because of political and international commitments. Producer prices were also freed and prices for fat cattle immediately jumped nearly 40 percent. This, in turn, forced consumer meat prices upward.

Later in the year the Government placed a ceiling on the price central Brazilian packinghouses could pay for fat cattle and limited monthly slaughter levels to the April-June 1970 average.

These restrictions were lifted in January 1971, but they were again imposed in August 1971, based on the average rate of slaughter during the April-June period.

Restrictions have often been placed on slaughtering in central Brazil between August and December to assure adequate meat supplies for the area during and just after the dry season.

Processed meat and practically all other processed agricultural and industrial products for export have been exempt from payment of the ICM tax (a State-municipal value-added tax) and the IPI tax (a Federal levy on all processed items). As an additional measure to insure adequate meat supplies in domestic markets, the ICM tax exemption on processed beef was withdrawn in December 1970 until further notice.

Despite the domestic shortage of beef, Brazil exported large amounts in recent years. In terms of value, beef became its fifth most important export item in 1970—exceeded only by coffee, iron ore, cotton, and sugar.

In 1970 Brazil exported 98,310 metric tons of chilled and frozen beef, valued at $69.6 million, compared with 77,564 tons worth $41.6 million in 1969. An additional 16,549 tons of processed beef, valued at some $15.8 million, were also exported in 1970, compared with 15,241 tons, valued at $13.1 million, a year earlier.

In January 1971, however, the Government of Brazil established an export ceiling of 70,000 metric tons for the year—36,000 tons from central Brazil and 34,000 tons from Rio Grande do Sul—later revised upward to 44,000 tons. An additional 8,000 tons of beef was approved for export to Israel, and central Brazil was given the possibility of shipping an additional 25,000 tons in 1971 by firms agreeing to store an equal tonnage of frozen meat for the domestic market.

Frozen beef exports in 1971 totaled about 77,700 metric tons and processed beef over 42,000 tons for a total value of about $150 million.

Because Brazil is a country where foot-and-mouth disease is endemic, the United States imports only fully-cooked beef. In 1971 U.S. beef imports from Brazil were $51 million, over three times the 1970 total. In terms of quantity, U.S. imports of Brazilian canned corned beef and frozen cooked beef were 27,316 metric tons in 1971, compared with 12,824 tons in 1970.

Brazil is trying to make more meat available to the domestic market in 1972 by again linking beef exports to the amount of meat in stock. The Ministry of Agriculture recently announced that the system is liberal and flexible as far as exporters are concerned and at the same time will guarantee regular storage of beef in both central Brazil and Rio Grande do Sul for use during the cyclical shortage. Exports for 1972 were allocated as follows:

Central Brazil. For each 1.5 tons of beef exported, 1 ton is to be placed in storage for the internal market. However, storage will be required only after the export of the first 25,000 tons.

Rio Grande do Sul. The same criterion is to be used, except for the percentages. For each 5 tons exported, 1 ton is to be stored, but only after the first 30,000 tons are exported.

Thus, although Brazil is an important exporter, the Government, which not long ago publicized Brazil's export target of 300,000 tons of meat per year, is limiting exports in relation to on-hand beef supplies. This seems to underline its belief that domestic price stability and an adequate meat supply are—at least for the moment—important enough to impose restrictions.

Data on Brazilian beef consumption are not available from Government sources, but a study by the Brazilian Institute of Statistics reveals that annual per capita home consumption is approximately 38.5 pounds. With an annual per capita income estimated at only $370 in 1970, relatively few Brazilians can afford meat at today's high prices.

Nonetheless there is a growing market for high-quality lean red meats among Brazil's upper and middle income families in the country's large metropolitan centers such as São Paulo and Rio de Janeiro.

Traditionally none of the beef sold at retail has been graded—there are no Federal or State standards—and only a few packers do any grading on their own initiative. Times are changing, however, and to service this growing market for quality meat some packers are beginning to grade their product. They also aim their advertising and merchandising campaigns at this segment of consumers.

But for most of the nation, based on total population and meat production trends, it is likely that per capita meat consumption will continue its earlier downtrend, although total domestic consumption is expected to grow.

If Brazil is to reverse the trend and make more meat available to consumers in all income categories, the Government must continue to encourage programs to improve the real incomes of consumers and to offer incentives to producers to increase productivity.

Cattle raised in Rio Grande do Sul are mostly for export.

Norway's Farm Structure and Imports—Now One-Third From U.S.—To Change Under EC

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Following several months of hard negotiation, the Norwegian Government and the European Community (EC) reached an acceptable agreement on special arrangements for Norwegian agriculture and fisheries, thus clearing the way for Norway to sign the Treaty of Accession last January 22 along with the United Kingdom, Denmark, and Ireland.

Entry of Norway into the EC could seriously affect the United States' current status as supplier of almost one-third of Norway's farm imports.

Some details of the special protocol for Norwegian agriculture remain to be worked out, but the general framework for EC transition has been set. Norway has been granted a 3-year standstill in its current farm support system before the special arrangements are enforced. The standstill is to begin at the start of the transitional period on January 1, 1973.

In granting the special arrangements, the EC recognized that Norway's geography and topography make it one of the highest production cost countries of Western Europe, and also that this situation cannot be corrected during a normal transitional period. These conditions, the Council noted, have necessitated a longstanding system of subsidies and supports which cannot be ignored if an equitable standard of living for Norway's agricultural population is to be maintained. The Commission pointed out that these special exemptions must not, however, constitute a precedent for other Member States.

The aim of the general support scheme for Norwegian agriculture is to maintain farm income and a balanced social structure. The Norwegian negotiators feel that the exceptions are "permanent" since no termination date is specified. The farm organizations, however, not completely satisfied that the exceptions are in fact permanent, have stated that they will oppose membership.

The final outcome will have to await the results of a referendum and a decisive vote in the Parliament. An advisory referendum will be held later in 1972. It is not binding, but should carry by a good margin if it is to strongly influence the vote in Parliament. A three-fourths majority vote is needed in the Parliament to approve the treaty signed January 22.

In an enlarged Community, Norwegian agriculture would amount to only about 0.5 of a percent of total agricultural production, yet it has been a major obstacle to Norway's acceptance of the Rome Treaty. The basic problem was that Norway's highly protected and subsidized farm income could have dropped by as much as 60 percent, if Norway had accepted the Community's prices and rules for support without special arrangements. The Norwegian Government was concerned that such a sharp drop in farm income would lead to a serious decline in farm population and a corresponding dip in domestic food production.

Norway has been supporting farm prices at a high level in order to maintain a basic food supply. In addition, special price and freight subsidies are given on a regional basis to assist farmers in the remote areas along the fjords in northern Norway.

Another sticky problem for Norway was fisheries. This issue was settled in in a special deputy session just before the treaty-signing deadline. Norway had insisted on "permanent" exceptions to EC fishing policies because many of its coastal areas rely heavily on fishing. The EC granted Norway exclusive access to the rich coastal fishing areas within a 12-mile limit from Egersund to the Soviet-Norwegian border, but only for a 10-year transitional period. Although the negotiators settled for 10 years, they hope for an extension.

In principle, Norway will be required to apply the rules of the Community's CAP following the 3-year standstill. However, certain exceptions will be permitted. The most important will permit Norway to introduce an income support system to maintain farm income. This system is to be varied according to regions and categories of farmers. It will require a number of changes in support measures currently in force in Norway, which are mainly price subsidies on a commodity basis.

In permitting Norway the option of using its current producer subsidy system until December 31, 1975, the Commission stipulated that producer subsidies must be reduced by amounts corresponding to any increases in market prices resulting from alinement to EC prices. This, however, will not be important since most Norwegian prices already are above EC prices.

Horticulture (including potatoes) will have 5 years in which to change its present system of quantitative restrictions on imports to a special system of minimum import prices. The price levels will be comparable to those prevailing before entry. Special allowances will be made for imported prod-

Norway's goat milk producers will be granted special subsidies under EC accession terms.

Norwegian farmer-fishermen will benefit under EC policy exceptions after accession.

ucts intended for processing whereby countervailing charges may be suspended. Deliveries of home-grown products for processing may receive a refund corresponding to the amount of the countervailing charge on imports. After the 5-year transitional period, Norway will have the option of opening new negotiations for horticultural support.

Norway also will be permitted to continue its system of freight subsidies for farmers. The transport subsidies are designed to offset the especially unfavorable long distances between production and consumption regions. This applies to inputs as well as outputs.

In order to guarantee an adequate supply of liquid milk, Norway will be permitted to use a special milk subsidy. The Norwegians were particularly concerned about milk because it is the chief source of farm income.

The negotiators had hoped to get subsidies for grain production also, but this was not allowed. Some other form of support for grain may be necessary if production is to be maintained.

Norway has been assured by the EC of financial support from the Common Agricultural Guarantee and Guidance Fund (FEOGA) to support the special arrangements. The Community will make a determination by June 30, 1974, as to which support proposals will be eligible for FEOGA expenditure. During negotiations, Norwegians argued that FEOGA should make a contribution to these expenditures because under the present system Norway would receive little from FEOGA. FEOGA receives all its funds from levies, tariffs, and value-added taxes.

Since most of Norway's consumption is from imports, levy and tariff payments to FEOGA would be substantially above average. Norway's share of the FEOGA financial budget based on gross national product (GNP) would be 1.7 percent. Its actual contribution, however, has been estimated at 2.2 percent.

In the future, according to the treaty, should the EC policy on financing result in measures that would make it possible to solve Norway's special problems, the new measures would supersede the special provisions for Norway. The wider Community, however, reserves the right to review all factors involved and all rules for the support system applied in Norway.

Aside from the stated exceptions, all arrangements for Norwegian agriculture must be formulated and applied so as not to harm the agricultural policy of the enlarged Community. Although most forms of direct support will not be possible, the Norwegians feel they will be able to continue some form of support for fertilizer, feed concentrates, and silage.

The number of Norwegian farms, as well as the amount of land under cultivation, has dropped in the past 10 years. During the past 2 years alone, there was a reduction of 18,000 farms and a decrease in farming area of 123,550 acres. At the end of 1971, there was an estimated agricultural area of only 2.2 million acres.

The Government has attempted to put a brake on this decline with heavy farm subsidies—$299 million in direct subsidies plus import restrictions estimated to be worth about the same amount. But the farm-to-city exodus continues. Even with subsidies, agriculture cannot compete with industry for labor. For example, the world price for feed barley is about $1.25 per bushel, the EC price is $2.20 per bushel, while the Norwegian guaranteed producer price is $3.20 per bushel. Even with this edge, small Norwegian farms have difficulties showing favorable returns.

Whether Norway enters the EC or not, experts feel that the decline in farm numbers and acreage under cultivation will continue. Greater structural reform appears to be the only long-run solution. There could be a limited expansion in livestock production since feed costs will be lower. Despite this, a greater loss of Norwegian farms, particularly in the north, can be expected in the future.

From the beginning of the transitional period, Norway will be required to adjust to the Community's Common External Tariff (CXT), using harmonizing compensatory levies and export subsidies if applicable against imports from both Member States and third countries. The system will be adjusted to give Member States preferences in the Norwegian market. At the end of 5 years, Norwegian price levels—except those for horticulture—are to be comparable to EC prices. New negotiations will be possible at that time for horticulture. Preference in the Norwegian market will be important to the EC since Norway is only about 40 percent self-sufficient and no improvement in this situation is in sight.

Norway must import all of its sugar, breadgrains, citrus, tobacco, and oilseeds. In addition, a large share of its feedgrains and other food products must be purchased outside. Since many of these items can be purchased within the expanded Community, it could have a definite impact on U.S. sales to Norway.

It seems clear that there will be a substantial shift in Norwegian imports from countries outside the EC to those within. The effect on U.S. sales could be profound. Only exports of U.S. soybeans would be unaffected. For all other commodities, particularly those subject to the CAP and the special preferential arrangements, the United States could have a very difficult time maintaining previously held market shares. In the last 2 years, the U.S. share of Norway's total agricultural imports has been close to 30 percent (by value).

Secretary Butz Announces 1972 Meat Import Program

Secretary of Agriculture Earl L. Butz has announced that calendar year 1972 imports of meat subject to the Meat Import Law are estimated at 1,240 million pounds, less than 7 percent above the voluntary restraint level for CY 1971.

The 1972 estimate is based upon a new voluntary restraint program which the Secretary of State is negotiating with the governments of the principal supplying countries. These countries have agreed that the restraint program should be continued.

Public Law 88-482, the Meat Import Law, provides that if yearly imports of certain meats—primarily beef and mutton—are estimated to equal or exceed a "trigger" quantity of 110 percent of an adjusted base quota, the President is required to invoke a quota on imports of these meats. The adjusted base quota for 1972 is 1,042.4 million pounds. The amount of estimated imports which would trigger its imposition is 110 percent of this base quota or 1,146.6 million pounds.

The President has issued a proclamation pursuant to Section 2(c)(1) of Public Law 88-482 limiting imports of meat subject to the Act. At the same time, he suspended that limitation on the basis that this action is required by overriding economic interests of the United States, giving special weight to the importance to the nation of the economic well-being of the domestic livestock industry.

Congress passed the Meat Import Law in August 1964, following a 10-year rise in imports and a sharp decline in U.S. cattle prices. The problem came to a head in 1963 when imports, mostly from Australia and New Zealand, reached a record of over 1 billion pounds. Meanwhile, U.S. farm prices declined during 1963 and early 1964, spurring Congressional action. At the time, the United States was the only major importer that did not restrict, or impede, imports of meat.

The Meat Import Law, which applies to chilled and frozen beef, veal, mutton, and goat, requires the Secretary of Agriculture to issue quarterly estimates of quantities of these meats to be imported during the calendar year. It provides a method of establishing an annual quota quantity related to changes in domestic production, the idea being to accord imports a fixed share of the U.S. market. The law also provides for suspending or increasing quotas.

In the first 3 years after the Law was passed, imports were below the quota quantities. But by mid-1968 it was apparent that the year's imports would exceed the trigger quantity, and in August the United States asked Australia and New Zealand to restrain shipments voluntarily in order to avoid quotas. The other 11 supplying countries (eligible because they are free of foot-and-mouth disease) were asked to hold to shipments already scheduled. Imports in 1968 were above the quota but below the trigger point.

In **1969**, all supplying countries except Canada and the United Kingdom agreed to a restraint level below the trigger quantity. The program worked fairly well, although imports exceeded the restraint level somewhat and one country—Honduras—was embargoed.

In **1970**, a restraint program was negotiated with a target below the trigger point, with Section 204 available to assure compliance. Imports were extremely heavy, however, and at midyear two actions were taken: First, the President proclaimed and then suspended quotas, and a new restraint level was authorized at a higher level than the trigger quantity; then, Section 204 was used to embargo transshipments through Canada, thus closing a serious loophole in the program. Section 204 also was used to hold five supplying countries to their agreements.

In **1971**, the restraint program continued at the level finally established at the end of 1970. This was higher than the trigger quantity for 1971, requiring Presidential action to proclaim and suspend quotas as had been done the year before. Actual 1971 imports, at 1,112 million pounds, were 48 million below the restraint level, largely because of the dock strikes.

For **1972**, a new situation exists because of consumer concern regarding the level of meat prices. Price ceilings have not been established on agricultural products, but the price of meat at retail has brought pressures for price restrictions. The Secretary of Agriculture is vigorously opposing any price ceiling on agricultural products, including meat. A Presidential Proclamation imposing quotas and at the same time suspending them has been issued, and the import target for 1972 has been established at a level about 7 percent higher than that in 1971.

U.S. MEAT IMPORTS, BY MONTHS, 1968-71

Month	1968	1969[1]	1970[1]	1971[1]
	Mil. lb.	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*
January ...	80.7	41.9	124.5	83.4
February ..	72.6	50.4	100.7	65.1
March	64.1	136.1	112.0	88.3
April	78.3	90.0	88.7	86.2
May	56.1	80.5	62.1	76.8
June	105.1	85.7	93.4	101.0
July	86.4	107.1	110.1	94.4
August ...	108.6	141.8	112.8	104.9
September .	115.5	121.4	107.6	158.6
October ..	102.1	108.3	89.3	80.4
November .	95.8	51.4	79.4	63.2
December .	35.6	69.4	89.8	130.3
Total ...	1,001.0	1,084.1	1,170.4	1,132.6

[1] Rejections which occur after entry is made are included in the published Census figures and amounted to 13.5 million pounds in 1969, 17.4 million in 1970, and 21 million in 1971.

MEAT: DOMESTIC PRODUCTION, IMPORTS, AND U.S. PRICES

Calendar year	Domestic commercial production [1]	Imports subject to law: Quantity	Imports subject to law: As percent of production	Prices to farmers for beef cattle	USDA retail choice beef price
	Mil. lb.[2]	*Mil. lb.*[2]	*Percent*	*Dol. per cwt.*	*Cents per lb.*
1967.......	20,809	1,226	5.9	22.30	82.6
1968.......	31,422	1,371	6.4	23.40	86.6
1969.......	21,661	1,467	6.8	26.20	96.2
1970.......	22,096	1,580	7.2	27.10	98.6
1971.......	22,348	1,523	6.8	28.80	104.3
1972.......	23,255	[3] 1,699	7.3	[4] 32.00	[4] 113.8

[1] Beef, veal, mutton, goat.
[2] Carcass weight equivalent.
[3] Restraint level.
[4] January-February average—preliminary.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Mar. 15	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	1.98	−2	[1] 1.99
USSR SKS-14	(2)	(2)	1.99
Australian FAQ	(2)	(2)	1.89
U.S. No. 2 Dark Northern Spring:			
14 percent	1.95	+2	1.99
15 percent	1.99	0	2.04
U.S. No. 2 Hard Winter:			
13.5 percent	1.81	+2	1.98
No. 3 Hard Amber Durum	1.86	+3	2.00
Argentine	(2)	(2)	(2)
U.S. No. 2 Soft Red Winter	(2)	(2)	1.86
Feedgrains:			
U.S. No. 3 Yellow corn	1.41	0	1.75
Argentine Plate corn	1.56	0	1.76
U.S. No. 2 sorghum	1.47	0	1.51
Argentine-Granifero sorghum	1.49	0	1.50
U.S. No. 3 Feed barley	1.20	0	1.44
Soybeans:			
U.S. No. 2 Yellow	(2)	(2)	3.41
EC import levies:			
Wheat [3]	[4] 1.65	0	1.46
Corn [5]	[4] 1.11	−4	.79
Sorghum [5]	[4] 1.06	+1	.91

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

TOBACCO

Dutch Firm Encourages Italian Tobacco Expansion

A major Dutch tobacco firm will soon begin producing two varieties of cigar tobacco in Italy, according to the Italian press. The Dutch firm—one of the 5 major world tobacco companies—will soon furnish Italian farmers with seed.

The Dutch firm is part-owner of an Italian company which already contracts with Italian farmers for the production of burley and other types; the Italian company will now provide a guaranteed market for the two new varieties introduced by its Dutch owners.

Under the EC Common Agricultural Policy, the Dutch firm would pay a standard price of about US$0.86 per pound for grade A Badischer Geudertheimer (a cigar type) and would then receive a buyer's premium or subsidy of about US$0.58 per pound.

Any tobacco shipped outside of the EC can also receive an export subsidy (if granted by the EC) equal to the import duty for comparable tobacco. The combination of these two subsidies will make prices for these Italian-grown tobacco varieties very competitive in the world market.

Rhodesian Tobacco Auctions Delayed

Rhodesian tobacco auction markets that normally begin in March have been postponed until April. This was done in the hope that by then a public auction can be held. Since the United Nations embargo of Rhodesian trade, tobacco auctions have been held in secret.

The current negotiations between the United Kingdom and Rhodesia have raised substantial optimism in the industry that an agreement will soon be reached and normal tobacco export trade can be resumed. It has been indicated that auctions may even be postponed until May if there seems a possibility that sanctions will be dropped.

SUGAR AND TROPICAL PRODUCTS

Colombia To Expand Cocoa Production

Under the diversification fund program of the International Coffee Agreement, a US$7.2 million loan agreement was signed on February 25, 1972, which will enable some Colombian coffee growers to diversify into cocoa production. The loan will provide credit facilities to farmers in the coffee-growing areas to plant about 25,000 acres in cocoa trees over a 6-year period.

Colombia is now a net importer of cocoa and the increased domestic production to be realized under the expansion program will help the country toward its goal of being self-sufficient in cocoa.

India's Tea Exports Higher in 1971

India's tea exports in 1971 totaled 212,600 metric tons valued at US$216 million, compared with 1970 exports of 208,300 tons valued at $198 million. Although India's exports were up in 1971, they still remained below the record 1967 shipments of 213,700 tons.

U.S. imports of Indian tea in 1971 rose by nearly 44 per-

cent to 10,319 tons valued at $11.1 million, from 7,178 tons valued at $8 million in 1970. Total U.S. tea imports in 1971 were a record 79,575 tons valued at $71.4 million.

Ceylon's Tea Production Up

Tea production in Ceylon in 1971 amounted to 217,773 metric tons, up from the poor 1970 crop of only 212,210 tons. Although production was larger, the crop still remained below the 1965-69 average level of 223,000 tons.

The lower crops of recent years have been attributed to more selective plucking to improve quality and prices, to the abandoning of some marginal tea areas, and to less favorable weather conditions.

FATS, OILS, AND OILSEEDS

Philippine Exports of Coconut Products Continue To Rise Sharply

In the October 1971-January 1972 period, Philippine exports of copra and coconut oil increased to 326,800 metric tons (oil basis). This 70,900-ton increase represents a record volume for those months and a 28-percent increase over the same 4 months a year ago. Exports in January—86,800 tons oil basis—were up 43 percent over the same month last year.

The sharp increase in Philippine exports seems likely to continue, at least through late 1972, reflecting the influence of above-average rainfall as well as added production from new trees. Because domestic oil consumption is relatively static (at roughly 100,000 tons), the bulk of any increase in output is expected to be exported.

In calendar 1971 Philippine exports of copra and coconut oil totaled 862,900 metric tons—43.2 percent above the 1970 volume. In terms of the world market for oil-bearing materials and oils, exports of copra and coconut oil from the Philippines represent the largest single source of U.S. imports as well as a major source of foreign competition. Philippine exports of copra and coconut oil in 1971 accounted for 16.6 percent of total foreign exports of edible oilseed and oils against only 12.7 percent in 1970 and 11.6 percent in 1969.

Although coconut oil and soybean oil are not readily interchangeable for all uses, these substantial increases are no doubt having some effect on prices of other vegetable oils.

COTTON

Egypt To Increase Cotton Acreage

The Egyptian Minister of Agriculture recently announced plans to expand cotton acreage in 1972-73 to about 1.77 million acres. Early in December 1971 the Ministry of Agriculture had announced that 1.66 million acres had been allocated for planting in 1972-73, compared to 1.55 million in 1971-72.

In his recent statement, the Egyptian Minister of Agriculture indicated that the increased acreage would permit a potential production of 2.5 million bales of cotton (480 lb. net) in 1972-73, compared with 2.2 million in 1971-72.

If achieved, this would raise average yield to almost 680 pounds per acre—nearly the same as that achieved in 1970-71 and substantially higher than the 660 pounds per acre attained in 1971-72.

FRUITS, NUTS, AND VEGETABLES

London Prices of Fruits and Juices

Quotations represent selling prices of canned fruits and juices in London, landed duty paid basis, in January 1972:

Type and quality	Size of can	Price per dozen units	Origin
CANNED FRUITS		*U.S. dol.*	
Apricots, halves:			
Fancy	2½	4.14	S. Africa
Choice	2½	4.30	Australia
Do	2½	4.01	S. Africa
Fruit cocktail:			
Choice	300	3.52	U.S.
Do	2½	4.95	Australia
Fruit salad:			
Choice	15 oz.	2.29	Spain
Peaches, halves:			
Fancy	2½	3.78	S. Africa
Do	2½	4.14	Australia
Choice	2½	5.08	U.S.
Do	2½	3.83	Australia
Do	2½	4.04	S. Africa
Pears:			
Fancy	2½	4.25	Australia
Do	2½	4.53	S. Africa
Choice	2½	6.54	U.S.
Do	2½	4.14	Australia
Do	2½	4.40	S. Africa
Pineapple slices:			
Fancy	2½	7.50	S. Africa
Choice	2½	4.33	U.S.
Do	2½	3.80	Taiwan
Not specified	20 oz.	2.24	Malaysia
CANNED JUICES			
Orange, sweetened	46 oz.	7.97	U.S.
Do	46 oz.	5.34	B. W. Indies
Do	43 oz.	4.90	Israel
Grapefruit, sweetened	46 oz.	8.55	U.S.
Do	46 oz.	5.86	B. W. Indies
Do	19 oz.	2.68	Israel

LIVESTOCK AND MEAT PRODUCTS

Canadian Hog Numbers Decline

On December 1, 1971, Canadian hog numbers were down 6 percent from a year earlier, to slightly more than 7.2 million head. Indications point to a 4-percent reduction in farrowings from December 1971 to May 1972.

Canadian pork exports in 1971 are estimated at almost 100 million pounds, up 40 percent from a year earlier. About 64 percent of these exports went to the United States—down from a level of 80 percent in 1970. About half of these shipments were fresh or frozen hams.

Japan became a significant market for Canadian pork in 1971, with shipments topping 16 million pounds.

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FOREIGN AGRICULTURE

Canada Establishes Marketing Agencies (Continued from page 8)

moving in inter-Provincial or export trade except those regulated by the Canadian Wheat Board or the Canadian Dairy Commission.

The agency must be self-sustaining, that is, financed from license fees, levies, or charges on regulated products. The agency can purchase, package, process, store, ship, insure, export, sell, or otherwise dispose of purchased products. It can promote domestic consumption of the product; advertise, promote, and research new markets; and establish branches of the agency throughout Canada and abroad.

At present it appears that a very significant problem to be faced in implementing the legislation will be the question of Federal versus Provincial authority. Trade within a Province is a Provincial responsibility, but inter-Provincial and foreign trade are Federal responsibilities.

Supporters of the act explain that one level of Government cannot delegate its authority to another but it can to an "agency"—hence the careful use of the word "agency" throughout the act. Thus, ideally the Federal level would enter into an agreement with national agencies appointing them as administrators of Federal authority. But the Provincial marketing boards may in turn transfer the administration of trade within the Provinces for the regulated commodity to the national level marketing agency.

Some officials claim the act won't work unless the Provinces delegate some of their power. Consequently, it appears that if the marketing of a regulated commodity is relatively self-contained or little of it is produced elsewhere in Canada, then the local Provincial board should be able to operate relatively free of the Federal-Provincial powers problem. However, when the commodity is produced in several Provinces then obviously the Federal level must work out a plan with member Provincial marketing boards.

The allocation of any production or marketing quotas is carefully defined in the act. First of all, under the act, such quotas must be approved by Parliament—except poultry and egg products which are specifically exempted from this requirement. Also a marketing plan—to the extent that it allocates any production or marketing quota to any area of Canada—shall allocate that quota on the basis of the production from that area in relation to the total production of Canada over a period of 5 years immediately preceding.

In allocating additional quotas for anticipated growth in market demand, the marketing agency is directed in the act to consider the principle of comparative advantage of production. However, a key concern to countries exporting agricultural commodities into Canada is whether Canada will resort to import controls in order to effectively implement a marketing plan or a quota on a regulated commodity.

The quick answer one receives in discussing this with Canadian officials is that the act does not authorize any import restrictions and Canada's basic policy will be to honor its international trade obligations and commitments under the General Agreement on Tariffs and Trade (GATT) as it has in the past.

Some of these officials also theorize that marketing boards should be able to compete with imports unless they come in at unduly low prices, in excessive quantities, or at subsidized prices.[1] Such statements must, of course, be measured against actions taken in the months ahead as the Canadian Government seeks to effectively and efficiently implement marketing plans for the first regulated commodities—most likely for eggs, broilers, and turkeys.

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[1] In the case of commodities the Canadians believe are being imported at exceptionally low prices, prior legislation might be used to impose antidumping duties or the special "value-for-duty surcharge." (The latter has been applied in recent years to corn, potatoes, strawberries, and turkey.)
For example, if the egg and poultry products agency should set prices on poultry products, it could say that these commodities (if coming into Canada at less than the set prices) are being imported "at less than fair value" and thus it could request imposition of the value-for-duty surcharge.

☆ U. S. GOVERNMENT PRINTING OFFICE : 1972 481-868/36